



Legislative Fiscal Bureau

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July 2, 2013

TO: Members
Joint Committee on Finance

FROM: Bob Lang, Director

SUBJECT: Summary of Request for Release of Agency Supplements for Pay Plan and Fringe Benefit Costs, 2012-13

INTRODUCTION

On June 25, 2013, the Department of Administration (DOA) submitted to the Committee, under a 14-day passive review process, its recommendations for release of funds from compensation reserves for fiscal year 2012-13, as specified under s. 20.928(2m) of the statutes. The recommended pay plan and fringe benefit supplement request will be approved on July 16, 2013, unless the Committee's Co-chairs take action prior to that date to refer the request to a formal meeting of the Committee under s. 13.10 of the statutes. This memorandum provides summary information regarding the requested supplements.

BACKGROUND

In each biennial budget, funds are set aside to meet the costs of pay plan and fringe benefit cost increases that are planned or projected to occur as a result of adjustments to non-represented pay plans (for non-represented classified and certain unclassified employees, and UW System senior executives, faculty, and academic staff) or the adoption of new collective bargaining agreements for represented state employees that are subsequently approved in the new biennium. The GPR portion of these funds is set aside in the general fund condition statement as GPR compensation reserves. The non-GPR funds are set aside within the balances of the respective program revenue account or segregated fund. However, a total estimate of the all-funds amount of these reserves is listed in a separate summary in the budget act under the category of total compensation reserves.

Like other supplemental reserves, these compensation reserve funds, subsequent to budget passage, are available to be allotted to individual agencies based on a demonstration of need. The Department of Administration issues instructions to state agencies in the latter part of each fiscal year, detailing the process for the request of supplements. Agencies are directed to identify their

needed level of supplementation and provide fiscal justification for the request. This process is discussed more fully below.

Under s. 20.928(1) of the statutes, DOA must first review the agency requests and determine the supplement amounts it believes are needed by each agency. Then, under s. 20.928(2m) of the statutes, the Department must forward its recommended supplement amounts to the Joint Committee on Finance for review under a 14-day passive review process. Upon approval by the Committee, DOA then adds these supplemental amounts to agencies' approved budget levels to cover the projected cost of the pay increases and associated fringe benefit increases.

For fiscal year 2012-13, a total of \$61,910,000 GPR is provided in compensation reserves for supplementation of agency budgets for unbudgeted pay plan and fringe benefit costs.

SUMMARY OF SUPPLEMENT PROCESS

Historically, pay plan supplements reflect salary and associated fringe benefit increases relating to collective bargaining agreements with represented state employees approved by the Legislature and the state's compensation plan for nonrepresented state employees approved by the Joint Committee on Employment Relations. In addition, supplements may be needed by agencies that have experienced increased fringe benefit costs unrelated to any pay increases because of rate increases or individual changes in specific fringe benefit costs. Typically, these salary adjustments and fringe benefit cost increases are not included in agency budgets under the biennial budget act because agency-specific amounts for such salary and fringe benefit increases could not be determined at the time of budget deliberations. Rather, estimated amounts for pay plan salary and fringe benefit supplements were included in compensation reserves, and then allocated to agency appropriations at the end of each fiscal year based on need.

In making its determination of the supplement amounts to be recommended under s. 20.928(2m) for each agency, DOA develops reporting forms that each agency must use. The State Budget Office reviews the information provided by the agencies relating to the amount of funding in an agency's budget that is available for the payment of salaries and fringe benefit costs in the fiscal year. The Office then compares this with a projection of total expenditures for those purposes, using either actual year-to-date expenditures plus projected expenditures for the remainder of the fiscal year, or actual year-end data. The Department's recommended supplement amounts are based on its examinations of the difference (shortfall) between the budgeted levels and estimated total expenditures.

The 2011-13 biennial budget act (Act 32) provided agencies with full funding for prior-year salary adjustments. No general wage adjustments have been provided to state employees in 2011-12 or 2012-13. Some employees have received discretionary merit compensation increases in the current fiscal year; however, under the state's 2011-13 compensation plan, these adjustments are not considered a salary adjustment for which supplements may be provided. Therefore, the costs of these adjustments must be absorbed by the agencies. Finally, one compensation adjustment specified in the 2011-13 compensation plan does require supplementation. This is a pay adjustment for elected District Attorneys, provided effective with their terms beginning in January, 2013.

With the exception of the District Attorney pay supplement, the 2012-13 supplementation requests under s. 20.928(2m) include no salary supplements for state agencies. All other supplementation requests by state agencies relate only to fringe benefit costs.

2012-13 SUPPLEMENT RECOMMENDATIONS

As noted above, estimated amounts for these supplements were included in 2012-13 compensation reserves under Act 32. Now that these costs have been determined for 2012-13, appropriate funding amounts for each agency can be released from the compensation reserves upon approval by the Committee under a 14-day passive review process.

The attachment to this memorandum shows, by agency and fund source, the amount of supplemental funding that would be released to state agencies for fiscal year 2012-13 for pay plan and fringe benefit costs, under the DOA recommendations. The only pay supplement that would be provided (for elected District Attorneys) totals \$156,600 GPR. The total supplemental funding recommended for release for fringe benefit costs is \$27,102,300 (all funds). This total includes \$18,854,100 GPR and \$8,248,200 from other fund sources (program revenue accounts and segregated funds). [The pay plan supplementation process does not apply to federal continuing appropriations. The process does apply to federal annual appropriations; however, no requests for supplementation in 2012-13 were submitted for these appropriations.] Supplemental funding for non-GPR sources is released from the balance of the respective account or fund from which the individual appropriation being supplemented is funded. In the case of supplements provided to GPR appropriations, the monies are released from the central GPR reserves established in Act 32 for such purposes.

GENERAL FUND FISCAL EFFECT

For fiscal year 2012-13, a total of \$61,910,000 GPR was provided in compensation reserves for supplementation of agency budgets for unbudgeted pay plan and fringe benefit costs. The recommended releases in 2012-13 from GPR compensation reserves would total \$19,010,700. This amount includes \$18,854,100 for fringe benefit supplements and \$156,600 for pay supplements (for elected District Attorneys). The allocation of \$19,010,700 GPR from the compensation reserves would leave a year-end balance of \$42,899,300 GPR in 2012-13. Under 2013 Act 20 (the 2013-15 budget act), a lapse of \$30 million GPR from 2012-13 compensation reserves was factored into the 2013-14 general fund opening balance. Given that the 2012-13 compensation reserve balance will be \$42,899,300, the general fund balance for 2013-15 will increase by \$12,899,300.

The 2012-13 pay and fringe benefit supplements recommended by DOA accurately reflect the documentation submitted by agencies in conformance with the requirements of s. 20.928(1).

BL/AZ/sas
Attachment

ATTACHMENT

Summary by Agency of DOA Recommended Pay Plan Supplements Fiscal Year 2012-13

<u>Agency</u>	<u>Pay Supplements</u>	<u>Fringe Benefit Supplements</u>	<u>Total</u>	<u>Fund Source</u>
Administration	\$0	\$18,200	\$18,200	GPR
	0	26,400	26,400	PR
	<u>0</u>	<u>18,200</u>	<u>18,200</u>	SEG
	\$0	\$62,800	\$62,800	TOTAL
Agriculture, Trade and Consumer Protection	\$0	\$99,600	\$99,600	SEG
Board of Commissioners of Public Lands	\$0	\$2,600	\$2,600	PR
Board on Aging and Long-Term Care	\$0	\$2,700	\$2,700	GPR
Children and Families	\$0	\$114,800	\$114,800	GPR
Corrections	\$0	\$7,151,100	\$7,151,100	GPR
	<u>0</u>	<u>59,200</u>	<u>59,200</u>	PR
	\$0	\$7,210,300	\$7,210,300	TOTAL
District Attorneys	\$156,600	\$1,102,500	\$1,259,100	GPR
Health Services	\$0	\$1,968,700	\$1,968,700	GPR
	<u>0</u>	<u>2,921,200</u>	<u>2,921,200</u>	PR
	\$0	\$4,889,900	\$4,889,900	TOTAL
Historical Society	\$0	\$11,800	\$11,800	SEG
Insurance	\$0	\$20,200	\$20,200	SEG
Judicial Commission	\$0	\$500	\$500	GPR
Justice	\$0	\$396,400	\$396,400	GPR
	<u>0</u>	<u>134,200</u>	<u>134,200</u>	PR
	\$0	\$530,600	\$530,600	TOTAL
Lower Wisconsin State Riverway Board	\$0	\$2,400	\$2,400	SEG
Military Affairs	\$0	\$11,300	\$11,300	PR
Natural Resources	\$0	\$438,900	\$438,900	SEG
Public Defender Board	\$0	\$12,800	\$12,800	PR

<u>Agency</u>	<u>Pay Supplements</u>	<u>Fringe Benefit Supplements</u>	<u>Total</u>	<u>Fund Source</u>
Public Instruction	\$0	\$183,800	\$183,800	GPR
Revenue	\$0	\$8,400	\$8,400	GPR
	0	14,300	14,300	PR
	<u>0</u>	<u>72,900</u>	<u>72,900</u>	SEG
	\$0	\$95,600	\$95,600	TOTAL
Safety and Professional Services	\$0	\$4,100	\$4,100	SEG
Wisconsin Technical College System	\$0	\$13,300	\$13,300	PR
Tourism	\$0	\$25,300	\$25,300	SEG
Transportation	\$0	\$2,790,400	\$2,790,400	SEG
University of Wisconsin System	\$0	\$7,907,000	\$7,907,000	GPR
Veterans Affairs	<u>\$0</u>	<u>\$1,569,100</u>	<u>\$1,569,100</u>	PR
TOTALS	\$156,600	\$18,854,100	\$19,010,700	GPR
	0	4,764,400	4,764,400	PR
	<u>0</u>	<u>3,483,800</u>	<u>3,483,800</u>	SEG
	\$156,600	\$27,102,300	\$27,258,900	TOTAL